

**PORT OF PORT ANGELES**  
**Clallam County, Washington**  
**January 1, 1992 Through December 31, 1993**

---

**Schedule Of Findings**

---

1. Operating Revenues Should Be Sufficient To Service Debt

During 1992, the port improperly defeased revenue bonds by using tax revenue that had been invested in the Capital Improvement Fund. The port repaid the tax revenue to the Capital Improvement Fund by issuing non-voted general obligation bonds.

The port defeased the revenue bonds and issued general obligation bonds for the following reasons:

- a. The port was not certain it could continue servicing the debt with operating revenues. The port's operating revenues (losses) and long-term debt for 1993 and 1992 were as follows:

	<u>1993</u>	<u>1992</u>
Operating Revenues (loss)	(\$716,763)	\$4,548
Long-Term Debt	\$9,540,012	\$10,159,685

- b. The port was not certain they would be able to maintain compliance with their revenue bond covenant that required a 1.35 percent reserve.
- c. The general obligations bonds were issued at a reduced interest rate, saving the port bond interest charges.
- d. The port thought issuing general obligation bonds would allow them to use tax revenue to service the debt.

RCW 53.34.070 states in part:

The commission of any district issuing revenue bonds . . . shall establish, maintain, and collect rates, tolls, rents, and charges . . . sufficient to produce an amount . . . to pay the principal of and interest and premium, if any, on all revenue bonds and notes payable.

RCW 53.40.040 states in part:

Tax revenue of the port district may not be used to pay, secure, or guarantee the payment of the principal of and interest on such bonds.

We recommend the port ensure operating revenues are sufficient to service debt and that any future revenue bond defeasements or refundings are in accordance with the RCWs.



2. Port Management Should Discontinue Making Retirement Gifts For Its Employees

Port management gave retirement gifts to retiring port employees and a commissioner that, in total, cost the port \$10,299. These gifts were personalized plaques made by a port employee. Port management requested the employee to make these plaques during regular working hours. The \$10,299 consisted of payroll and material charges.

Port management gave the retiring port executive director a retirement gift that cost the port \$14,947. The gift was a scale model wooden boat made by a port employee. Management requested the employee to make the scale model during regular working hours. The \$14,947 consisted of payroll and material charges.

Article VIII, Section 7 of the Washington State Constitution states in part:

... No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual.

It has been a long-standing port practice to use port employees to make retirement gifts for its retiring employees.

When port management realized the cost of building the replica model boat for the executive director, they became concerned and actively solicited donations from port customers. They collected donations of \$5,845 to offset the above cost.

The port's policies and procedures manual states in part:

The acceptance of gifts or favors is readily open to misinterpretation by third parties and it is, therefore, not in the best interest of the port, the employee or the donor to risk the possibility of a conflict of interest allegation.

Port employees may not accept gifts from the port's customers and suppliers.

We recommend the port:

- a. Discontinue the practice of making such gifts for its employees.
- b. Enforce policies and procedures regarding employees accepting gifts.
- c. Refrain from soliciting donations from port customers.

3. The Port Should Ensure That Professional Services Were, In Fact, Provided

The port awarded a professional services contract to a retired port employee. The contract was for a nine month period from April 1992 through December 1992 for \$2,000 per month. The contract required the retired employee to act as a marketing consultant and provide port management with weekly reports on his activities. The total amount paid to the retired employee under this contract was \$18,000.

The port received the following reports from the retired employee.

<u>No. Weeks Reported On</u>	<u>Month</u>
0 ***	April
2	May
4	June
1	July
4	August
**	September
0 ***	October
**	November
**	December

\*\* One report was written for the entire month.

\*\*\* Management could not find any reports for this time period.

The reports submitted by the contractor were typically one page, one paragraph long. We reviewed the reports and found they contained no significant services to warrant \$2,000 per month. Port management indicated to us that they did not use any of these reports.

The contract stated in part:

The consultant shall provide approximately seventy (70) hours per month service to, and on behalf of, the Port.

We examined all expense vouchers from the contractor, totaling \$18,000, and did not find any documentation of actual hours worked.

The lack of documentation subjects the port to criticism of its contracted services and gives the appearance of improprieties, particularly when such contracts are awarded to retired port employees.

We recommend the port improve its system of controls for professional contracts to be assured that contracted professional services are necessary and that contracted professional services are in fact being provided.

4. The Port Should Adhere To Promotional Hosting Rules

The port held Christmas parties in 1993 and 1992 for its customers, suppliers and employees. Our audit identified at least \$4,630 was paid by the port for Christmas parties those two years.

State Auditor's Office Bulletin No. 404 states in part:

The basic standard for promotional hosting at public expense is that promotional hosting is calculated to result in a public purpose.

It has been a standard operating procedure for the port to fund Christmas parties.

We believe these Christmas parties to be so tenuous to the idea of "public purpose" that they appear to be hosting for the sake of hosting.

We recommend the port:

- a. Discontinue the practice of holding social functions that serve no public purpose.
- b. Limit hosting expenses to activities having a public purpose.

**PORT OF PORT ANGELES**  
**Clallam County, Washington**  
**January 1, 1992 Through December 31, 1993**

---

**Schedule Of Federal Findings**

---

1. The Port Should Ensure That All Costs Reimbursed By Federal Grants Be Supported By Adequate Documentation

During 1993 and 1992, the port received reimbursements from the Federal Aviation Association (FAA) for costs incurred on four federal grants. Of the total reimbursements, costs totaling \$27,910 were not supported by adequate documentation in the port's financial records.

The port accounted for the FAA grant awards in three work-in-progress accounts. The port was not able to identify specific expenses to the individual awards. However, in the aggregate, we were able to account for all costs incurred, except administrative and inspection costs of \$8,685 and \$19,225, respectively, which we have included in the accompanying Schedule of Questioned Costs.

Management failed to provide documentation for administrative and inspection costs they believe were incurred by salaried staff.

U.S. Office of Management and Budget's Circular A-87, *Cost Principles for State and Local Governments*, states in part:

All costs claimed on federal grant projects must be adequately supported by vendor invoices or other appropriate documentation.

We recommend the port maintain adequate documentation to support costs claimed for reimbursement from the federal government and provide the necessary accounting for all costs charged to each project.

We also recommend the port resolve the questioned costs with the FAA.